

The Oshawa
Group Limited
Annual Report
for the fiscal
year ended
January 22, 1972



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Results in Brief

	January 22 1972	January 23 1971	% Change
Sales	\$490,381,000	\$469,771,000	+4.4
Net Earnings	\$6,171,000	\$5,099,000	+21.0
Net Earnings Per Share *	88¢	73¢	+20.5
Extraordinary Income	\$77,000	\$208,000	-170.1
Net Earnings Per Share Excluding Extraordinary Income *	87¢	70¢	+24.3
Shares *	6,991,515	6,981,908	+1
Dividends Paid	\$1,748,000	\$1,747,000	
Dividends Paid Per Share	25¢	25¢	
Number of Stores at Year End			
Franchise Food Markets	342	282	
Company-owned Food Markets	72	82	
Department Stores	33	29	
Pharmacies	26	28	
Drug Marts	7	1	
Health and Beauty Aid Stores	12	20	
Restaurants and Snack Bars	57	48	
Catalogue Showrooms (50% owned)	9		

*Weighted average of combined Class A and Common shares outstanding.

President's Report



Ray D. Wolfe

Net earnings before extraordinary income of The Oshawa Group Limited improved by 24.6 percent in 1971 despite vigorous competition in both food and general merchandise retailing. In the first quarter, with the food industry in the throes of a bitter price war, earnings were less than one-half those of the preceding year. As the year progressed, the price war eased and margins and profits of Oshawa's food divisions improved steadily. Meanwhile, the general merchandise group was enjoying its most profitable year. By year end, the outlook was for further substantial gains in earnings in 1972.

Contrary to many predictions, the price war did not bring about the demise of the independent merchant. With some belt tightening and strong merchandising discipline, Oshawa's affiliated dealers survived the ordeal. Indeed, the sharpening of competition gave a new thrust to voluntary group growth and resulted in the net addition of 60 franchise outlets during the year. Further impetus was provided by the closing of smaller stores by the corporate chains. Many of these locations are now available to independent merchants who are either in the IGA program or are potential members.

Food City sales were also affected in the initial months of the price war but recovered as prices returned to more normal levels.

The General Merchandise Division added four department stores and six drug marts and established new records in both sales and profits. Integration of the Towers and Rockower operations in the second half of 1971 should create important operational savings and increase chainwide merchandising flexibility.

1971 was marked by a series of corporate moves with significant impact on Oshawa's progress which are noted below and described in more detail in the "Year in Review."

In June, a \$20,000,000 debenture issue was placed and working capital substantially increased.

In August, The Oshawa Wholesale Limited became The Oshawa Group Limited. The new name more accurately reflects the scope of the Company's activities and has been well received.

In September, Consumers Distributing Company (National) Limited, in which Oshawa has a 50% interest, opened its first catalogue showrooms. Nine units were opened in Quebec in 1971 and 16 more are planned this year. Initial results were excellent.

In October, Oshawa purchased the minority interest in Systems Construction (Ontario) Limited and made the hard decision to discontinue its modular building activities. While still convinced that systems building holds great potential, the Directors concluded that the Company's resources could be better employed in its merchandising activities.

Also in October, Oshawa acquired the remaining 50 percent interest in Marchland Holdings Limited (now a wholly-owned subsidiary) whose principal assets are Sudbury City Centre, a number of Towers-Food City shopping centres and sites for future development.

In November, Sudbury City Centre was completed and opened for business. In January, the Company arranged a \$10,000,000, five-year term financing for the Centre with a chartered bank.

At the end of February, subsequent to the fiscal year end, the Company extended its food wholesaling business to Manitoba and

Saskatchewan with the purchase of Codville Distributors Ltd.

In Ontario, Quebec and the Maritimes, a number of store openings are scheduled as part of an ambitious program for development in the years ahead.

While the combination of an improving economy, an aggressive program and dedicated people devoted to service of people portends new records for the future, the competitive climate will probably remain keen in all areas of the Company's operations. New competitors as well as new forms of competition—in both food and general merchandise—will demand perception of changing trends, flexibility in adapting to new needs, care in evaluating the viability of capital commitments and continued emphasis on productivity.

To perceive, to adapt, to perform—to perform superlatively—are the keys to success. And these are Oshawa's goals.

The constant support of our customers, shareholders, suppliers and staff has been most encouraging and is deeply appreciated.

Ray D. Wolfe
President
Toronto, May 1, 1972



Maurice Wolfe



Max Wolfe



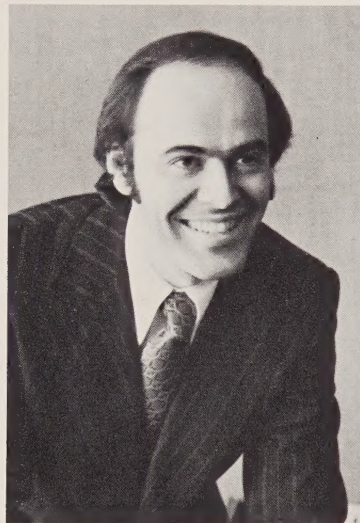
William L. Atkinson



Murray C. Goldman



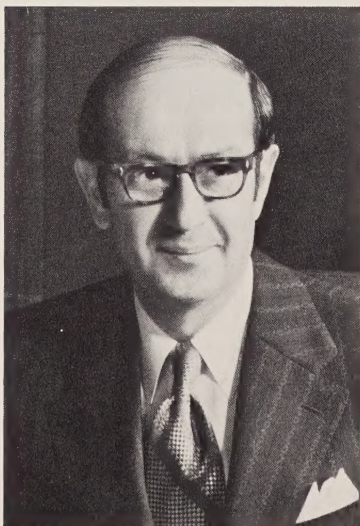
Albert Shifrin, Q.C.



Harold Wolfe



Harvey S. Wolfe



Jack B. Wolfe



Leonard Wolfe

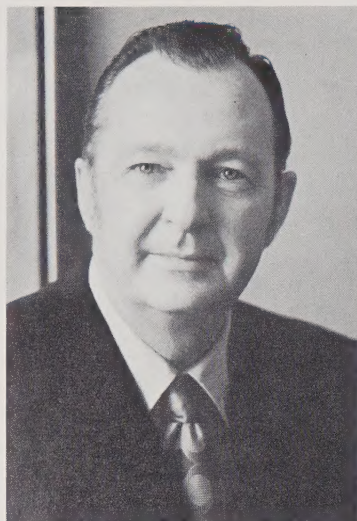


Harry L. Wolfson

Year in Review



William Sherman
Executive Vice President Wholesale
and Retail Operations



Vern T. Barber
Vice President and General Manager
Ontario Food Division



Guy Hudon, President and General Manager
Hudon et Orsali Limitée



Mead K. Smith, President
Bolands Limited



Bruce H. Codville, President
Codville Distributors Ltd.

Sales, Earnings and Dividends

While sales growth in the food divisions was limited by intense competition and the loss of retail sales from Company stores sold to dealers, a strong performance by the general merchandise group pushed consolidated sales to a new high of \$490,381,000, up 4.4% from \$469,771,000 in 1970. Wholesale, institutional and retail food sales amounted to \$353.4 million or 72% of the total, general merchandise to \$128.9 million or 26% and all other sales to \$8 million or 2%.

Net earnings were \$6,171,000, an increase of \$1,072,000 or 21.0% from \$5,099,000 in the preceding year. Extraordinary income of \$77,000 compared with \$208,000 in 1970. Net earnings before extraordinary income amounted to \$6,094,000, up 24.6% from \$4,891,000.

Earnings per combined Class A and common share of 88¢ on 6,991,515 shares compare with 73¢ on 6,981,908 shares in the preceding year. These share earnings include extraordinary

income of one cent in 1971 and three cents in 1970.

The increase in earnings was due primarily to three factors. The first was the increased contribution of the department store operation which, reflecting both a general increase in consumer spending and improved internal operations, enjoyed its most profitable year. Secondly, gross profit margins in the food industry recovered throughout the year from the un-economic levels of the price war. Finally, the effective income tax on ordinary earnings declined from an abnormal 56.6% in 1970 to 51.0% in 1971.

The operating losses of Systems Construction (Ontario) Limited, net of tax recoveries, reduced ordinary earnings by \$330,000 or 4.7¢ per share. Tax reductions on application of prior year's losses less costs arising from the discontinuance of the operation resulted in extraordinary income of \$97,000 or 1.4¢ per share.

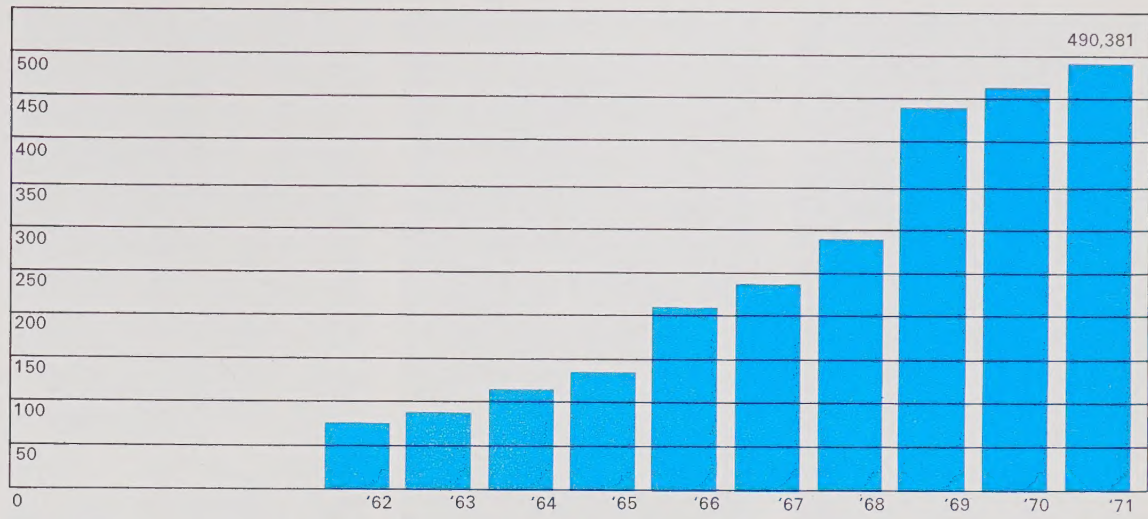
Dividends of 25¢ per share were paid in 1971. The dividend rate for 1972 has been increased 20% to 30¢ per share—the eleventh increase since 1960.

Financial Position

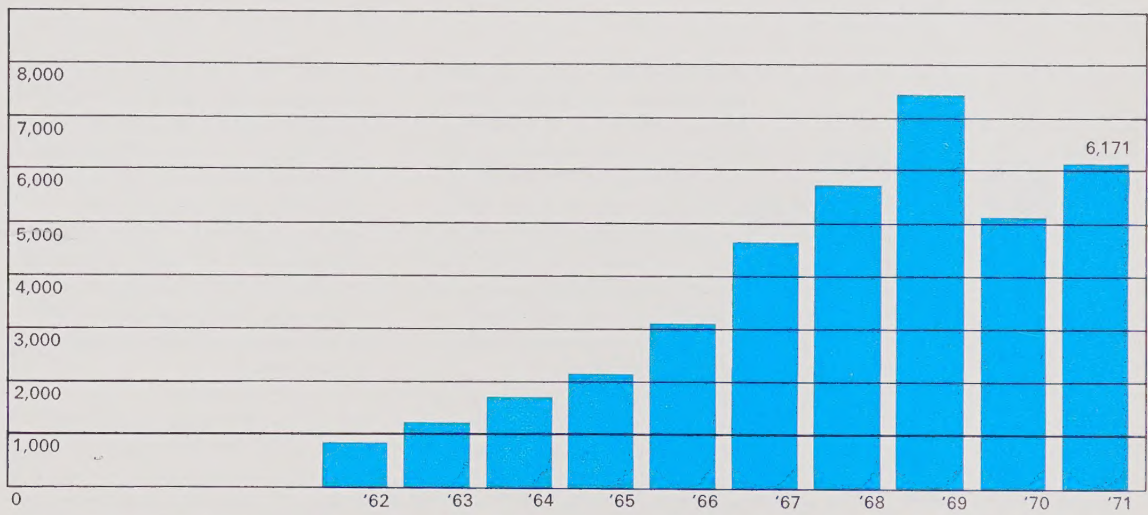
Working capital at January 22, 1972 amounted to \$15,762,000, up \$8,521,000 from \$7,241,000 last year. The factors which gave rise to this increase are shown in the Consolidated Statement of Source and Use of Funds on page 22.

In June, the Company sold \$20,000,000 Series A secured debentures consisting of a private placement of \$5,000,000 8¼% serial debentures due 1975 to 1979 inclusive and a public offering of \$15,000,000 9¼% sinking fund debentures due June 15, 1991. The proceeds of this issue were used to repay bank loans.

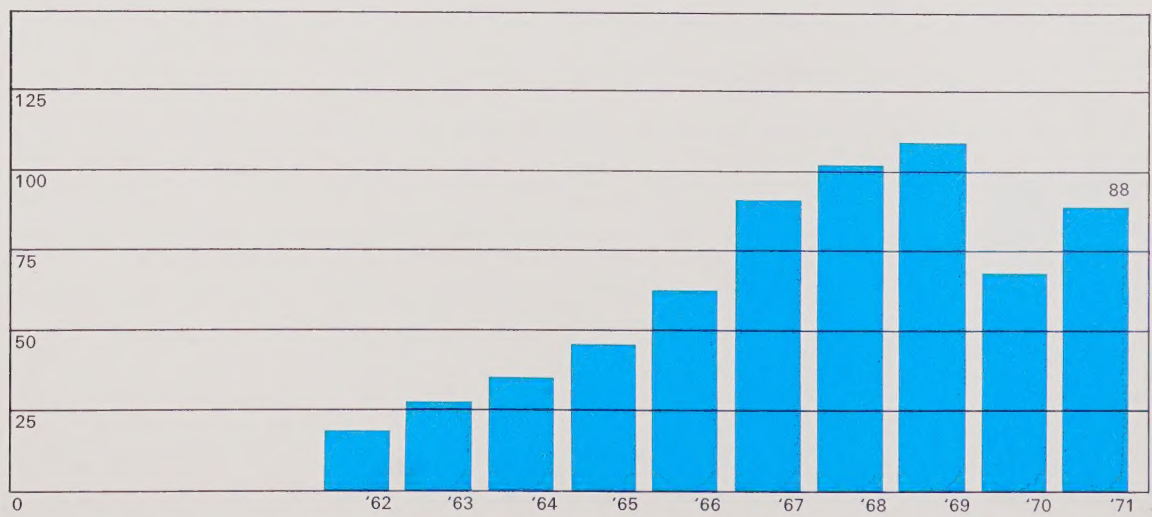
In January 1972, the Company arranged a five-year term bank loan of \$10,000,000 bearing interest at 1% above the bank prime lending rate and secured by an assignment of the Company's existing mortgage on Sudbury City Centre and a Toronto food market, both owned by Marchland Holdings Limited.



Sales In Millions of Dollars



Net Earnings In Thousands of Dollars



Net Earnings Per Share In Cents



Jack Genser
Vice President and General Manager
Towers Department Stores Limited



Charles Kent, President
Kent Drugs Limited



William Holman, General Manager
Langs Foods Limited



Charles Davies, President
E. W. Hickeson & Co. Limited

Expansion and Development

Four discount department stores were opened in 1971. Three of these are located in new enclosed mall shopping centres—Sudbury City Centre, Place St. Jean, St. Jean, Quebec, and Place Desormeaux in Longueuil, Quebec. The fourth is in Toronto's Rexdale Shopping Plaza which is to be expanded and converted to an enclosed mall this year.

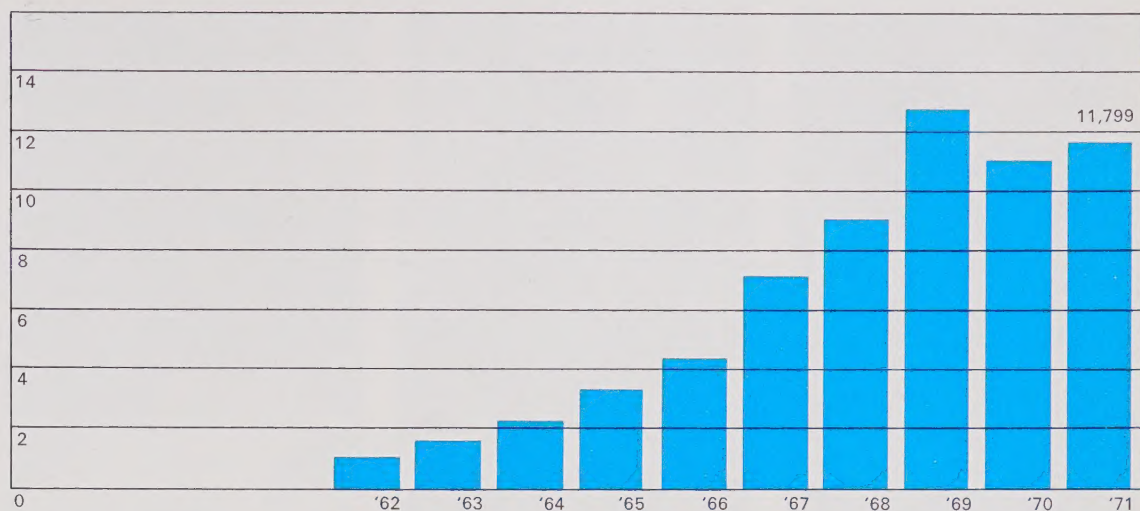
Other openings in 1971 included four discount food markets, two of which were conversions of existing IGA food markets, and six Drug City units, two of which had been Stripe health and beauty aid stores.

1971 was a year of further significant growth in franchise dealer programs, with a net addition of 60 dealers in the IGA, Handy and Ranch programs. Handy Markets are a new group of franchise dealers supplied by Oshawa and provided with a limited advertising and merchandising program. Ranch stores are full-line convenience food stores operating on an extended-hours basis.

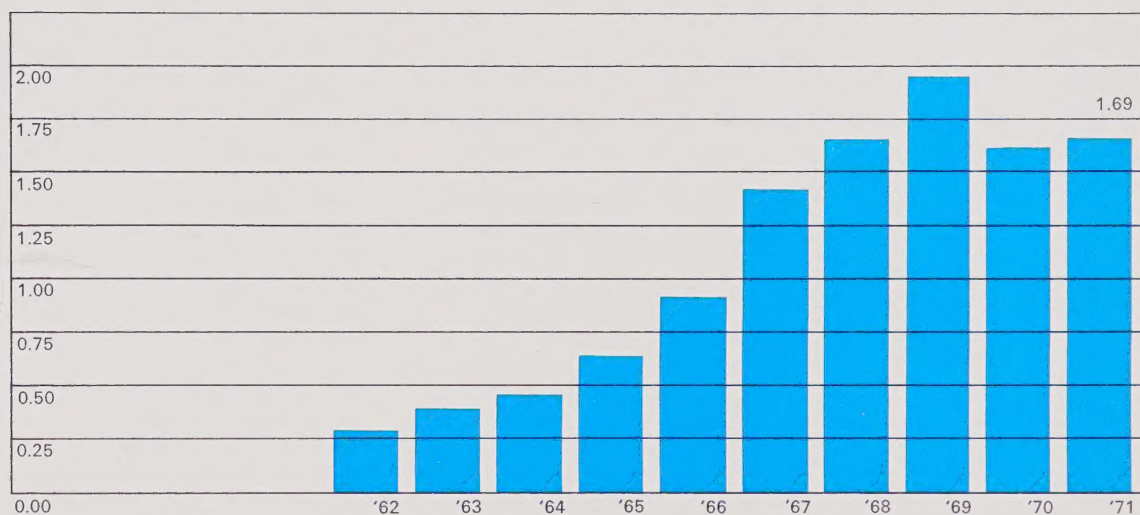
Marchland Holdings Limited

During the year Oshawa purchased, for a nominal cash payment and the waiver of certain moneys owing by the vendors, the remaining 50% interest in Marchland Holdings Limited.

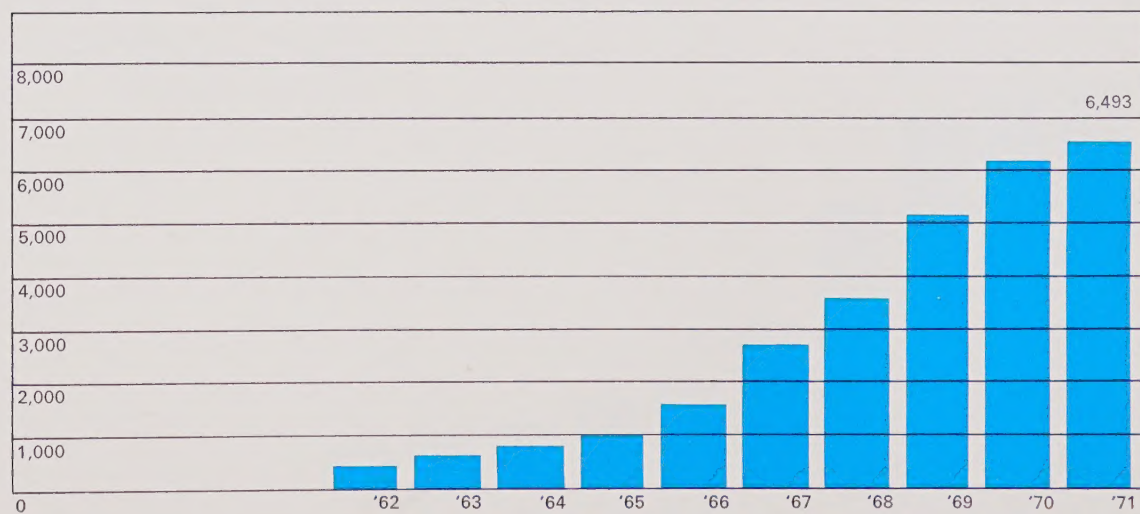
Marchland Holdings Limited, now a wholly-owned subsidiary, is a real estate development company which owns Sudbury City Centre, a 720,000 square-foot commercial complex; four Towers-Food City shopping centres and five Food City supermarkets all leased to Oshawa; and several parcels of land for future development. Since Oshawa had provided or arranged interim financing for Marchland, this acquisition represented a change in the form rather than in the extent of the investment. Full ownership permits Oshawa maximum flexibility in the management and financing of this subsidiary.



Cash Flow In Millions of Dollars



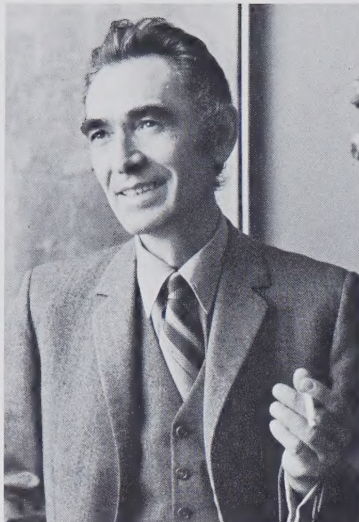
Cash Flow Per Share In Dollars



Depreciation and Amortization In Thousands of Dollars



Harry Russell, General Manager
The Ontario Produce Company Limited



Nicholas Pora, Manager
Dominion Mushroom Company Limited



J. Alan Jack, General Manager
Dispenser Division



Robin H. Phillips, Managing Director
Coinamatic Laundry Equipment Limited

Systems Construction (Ontario) Limited

After exhaustive study, it was decided to close the modular building plant of Systems Construction (Ontario) Limited. Despite virtually unlimited market potential and proven technical feasibility, 18 months of operation had not established that the company's unique system could compete profitably with conventional construction methods. The plant at Milton, Ontario was leased on favorable terms, certain other assets sold and the balance written down to realizable values.

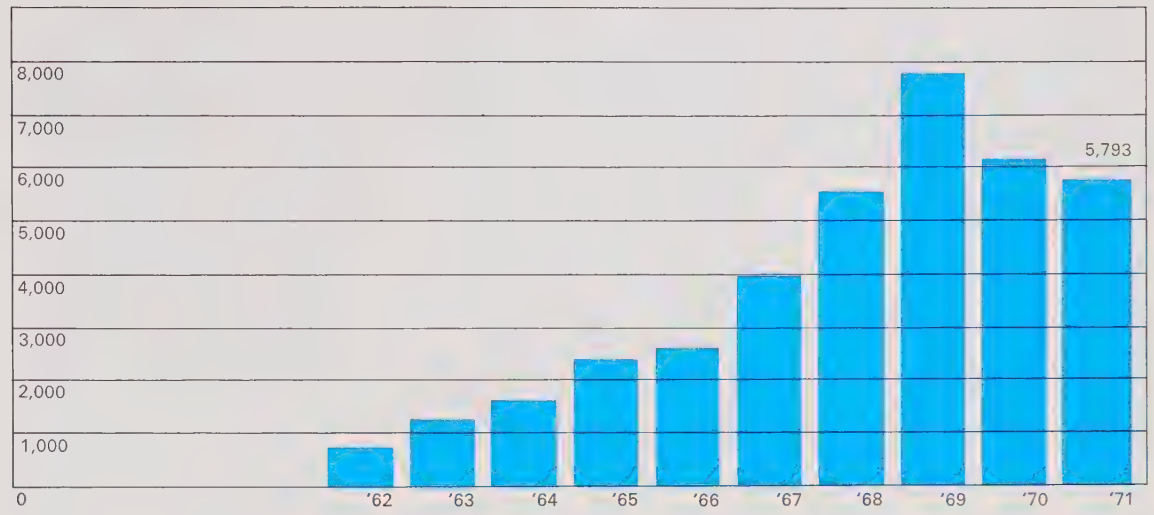
Towers Department Stores Limited

In October, Oshawa acquired the 33⅓% minority interest in Systems Construction (Ontario) Limited which then purchased the principal business assets of Allied Towers Merchants Limited. This transaction permitted earnings from the department store operations to be offset against Systems' accumulated tax losses, resulting in a reduction of income tax otherwise payable. On January 24, 1972 these companies and Rockower of Canada Limited were amalgamated to form Towers Department Stores Limited, which became a wholly-owned subsidiary of The Oshawa Group Limited. This amalgamation consolidated all department store operations into a single corporation thereby eliminating unnecessary duplication and expense.

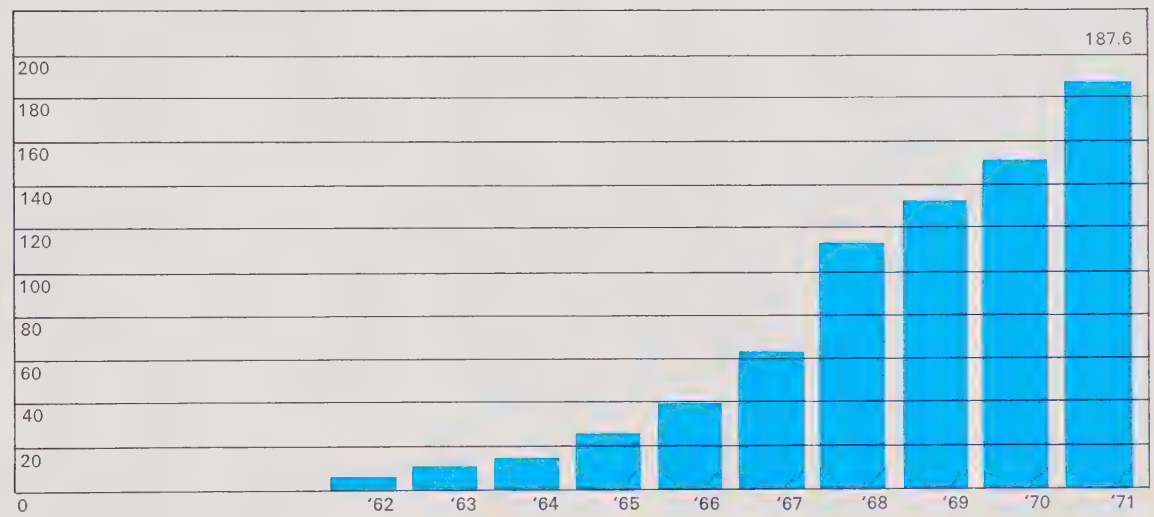
Consumers Distributing Company (National) Limited

Consumers Distributing Company (National) Limited, in which Oshawa has a 50% interest, opened nine catalogue showrooms in Montreal in late 1971. Acceptance by the Quebec consumer of this unique form of mass merchandising was most encouraging. Sales in the fiscal year ended December 31, 1971 were \$5.2 million, while net earnings after taxes were \$329,000. Oshawa's share of net earnings amounting to \$164,000 has been recorded in the statement of earnings.

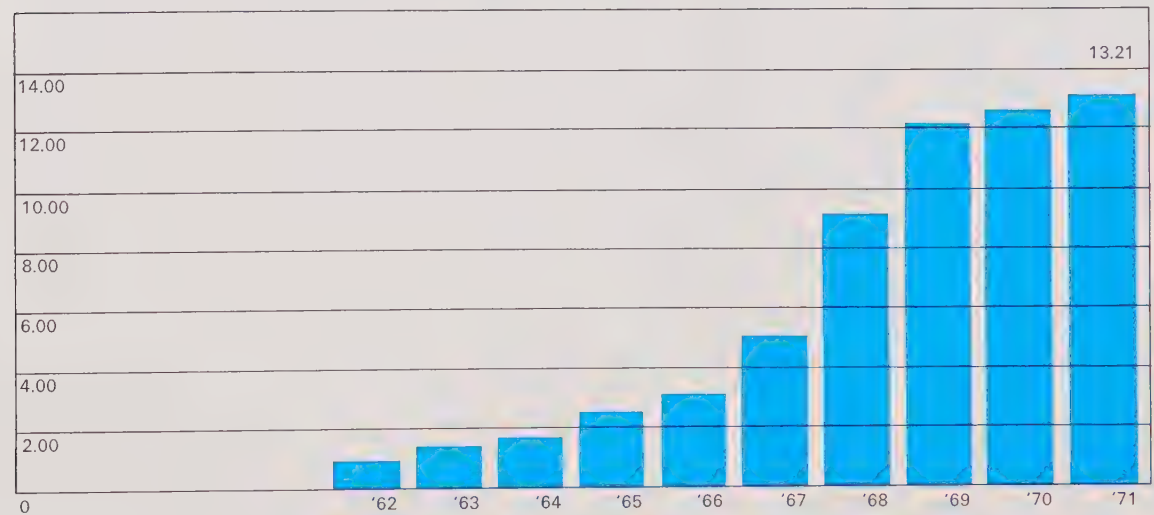
Because of the success of the initial units, it was decided to accelerate the development program. Present plans are to open an additional 16 showrooms in the Province of Quebec this year.



Income Taxes In Thousands of Dollars



Total Assets In Millions of Dollars



Shareholders' Equity Per Share In Dollars



Nelson Seltzer, General Manager
Restaurant Division



James H. Finch, General Manager
Comserve Limited



Leif Christensen, General Manager
Linen Services Division



Robert Brown, Manager
Automotive Services Division

Codville Distributors Ltd.

Subsequent to the year end, Oshawa acquired for cash over 95% of the issued and outstanding Class A and B shares of Codville Distributors Ltd. at prices of \$5.15 and \$8.50 per share respectively. Total cost of this acquisition based on 100% acceptance of the offer (which remains open until May 31, 1972) is \$3.5 million.

Codville, one of Western Canada's oldest wholesalers, is the IGA supplier for Saskatchewan, Manitoba and part of Northwestern Ontario, serving 88 IGA stores,

229 Much More stores, seven Locomart warehouse markets, five cash and carry warehouses and unaffiliated retailers from distribution centres in Winnipeg, Saskatoon and Regina.

In the year ended March 31, 1971, Codville reported sales of \$42.9 million and net earnings of \$183,000. For the first 39 weeks of the current fiscal year, sales were \$33.4 million, up 2.2% over the like period of the preceding year, while net earnings rose 34.8% to \$199,000.

Central Data Processing

For many years Oshawa has been an industry leader in computer use. The Company recently installed at its central data processing facility

an IBM System/370 Model 145—the first such installation in Canadian retailing.

The internal processing speed of the Model 145 is approximately three to five times that of the System/360 Model 40 and up to ten times that of the System/360-30, both of which were replaced. Its advanced design and system technology ensures enhanced reliability, availability and serviceability.

System/370 materially increases Oshawa's data processing capability, improves cost performance and makes previously marginal applications practical and economic.

Oshawa Operations

Food Markets

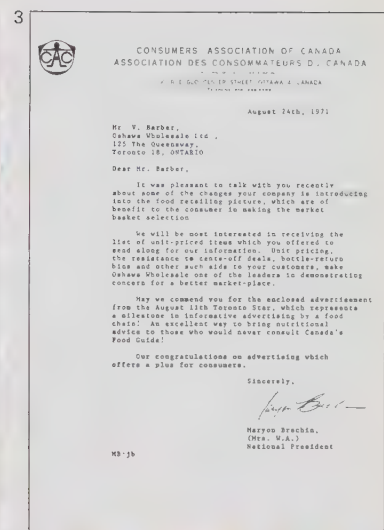
At year end Oshawa supplied 342 franchise food markets and 72 Company-owned food markets, including 35 Food City discount stores.

Over the years, Oshawa and its dealers have placed increasing emphasis on the importance of communicating with the public. In 1971, customer communications gained a new dimension with the introduction of the Consumer Awareness Program which informs shoppers about food products and price-value relationships. This program, first of its kind in Canada, has earned the praise of government, consumer groups and most important, the public.

Today shoppers in Food City markets and in IGA stores in Ontario and Quebec enjoy the benefits of unit pricing (price comparisons per unit of measure), open dating on meat and bakery products for freshness control, explanations of trade sizes and measures and numerous information programs on nutrition, pollution control and safety. This Consumer Awareness Program will receive even greater emphasis in the current year with the appointment of Mrs. Marie-Paule Green as Oshawa's bilingual Director of Consumer Affairs. Mrs. Green is responsible for all customer information activities and is the consumer's advocate and voice at Oshawa.

The Ontario Food Division, in a continuing effort to improve efficiency and service, introduced a number of new operational concepts during the year:

- A shelf management program which improved ordering, reduced back-room inventory and shelf out-of-stocks;
- A new store sanitation program which has shown good results in better housekeeping;
- A top-shelf storage system which increased productivity and sales per man-hour;
- A weekly cash control system which reduced hours of work;
- Refinements in handling procedures which improved warehouse productivity;
- New rolling stock specifications which increased load capacity; and
- An electronic store ordering system which transmits a 1,000-line order to Oshawa's computer centre in three minutes.



Hudon et Orsali's 140,000-cubic-foot frozen food warehouse produced sales in excess of \$1,000,000 in its first year of operation. In the Maritimes, Bolands Limited commenced distribution of frozen foods from leased warehouse space. Sales in both divisions are substantially ahead of expectations.

- 1 Food City market in suburban Toronto.
- 2 In-store bakery service at Food City.
- 3 Consumer Association of Canada letter commends Oshawa's Consumer Awareness Program.
- 4 Food City shopping cart.

- 5 Friendly service is IGA's hallmark.
- 6 Food City baked goods clearly show date on which product should be withdrawn from sale.
- 7 Mrs. Marie-Paule Green, Oshawa's Director of Consumer Affairs, addresses women's group.
- 8 Shopping in Quebec IGA market.

Codville Distributors Ltd. is the newest member of the Oshawa Group but with 84 years of operation is one of the oldest food wholesalers in Canada.

The original company was named for its founders, Codville, Georgeson and Thompson who came from Eastern Canada to open a wholesale grocery business when Winnipeg was a town of 8,000, the prairies largely uninhabited, and the last "golden spike" of the Canadian Pacific Railway less than three years in the ground.

The arrival of waves of homesteaders brought "boom" conditions and the company prospered, expanding its distribution throughout the plains. In 1905, John J. Codville purchased the shares of his partners and the firm was

incorporated as The Codville Company Limited. Branch warehouses were opened to serve railroad-oriented distribution and growth continued steadily through two world wars and the great depression.

In 1955, the company acquired the IGA franchise for Manitoba, Saskatchewan and Northwestern Ontario and 16 IGA retail units were opened in Winnipeg. As sales increased sharply, warehousing was centralized, rural branch warehouses phased out, new merchandising concepts introduced and retailing standards improved. By the early 60s a corporate retailing division had been formed.

In 1965, Codville Distributors Ltd. was formed and shares were sold to the public to obtain expansion capital.

Today Codville serves 88 IGA markets, 229 Much More stores, seven Locomart retail warehouse units, five cash-and-carry outlets and 272 non-affiliated retail customers from three distribution centres in Winnipeg, Saskatoon and Regina. The company's trading area extends from the Ontario Lakehead to the Alberta border.

President of the company, now an Oshawa subsidiary, is Bruce H. Codville, grandson of one of the three pioneers who in 1888 saw opportunity in the Canadian West.



1 IGA Foodliner in Winnipeg.

2 Codville supplies seven Locomart food warehouse stores.

3 Codville Distributors Ltd. head office and Winnipeg Distribution Centre.

4 Codville's Saskatoon, Saskatchewan Distribution Centre.

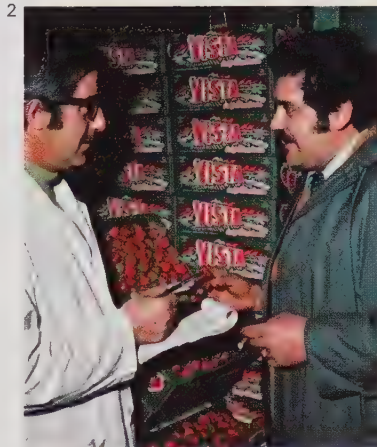
Oshawa's institutional food group comprises Hickeson-Langs Supply Company, Langs Foods Limited, The Ontario Produce Company Limited and Dominion Mushroom Company Limited.

Hickeson-Langs Supply Company sells a broad range of groceries, frozen foods, meats, produce and supplies to schools, hospitals and other institutions, hotels, caterers and restaurants from distribution centres in Toronto, Hamilton and London, Ontario.

Langs Foods Limited provides blast freeze and commercial frozen storage facilities to processors of meat, vegetables, fruit and juices. With addition last summer of 430,000 cubic feet, frozen storage space in Hamilton and London plants now totals 2,350,000 cubic feet, operating at near capacity the year round.

The Ontario Produce Company Limited, one of Canada's largest wholesalers of domestic and imported fresh fruit and vegetables, supplies the Ontario Food Division, Hickeson-Langs Supply Company and other wholesale and retail accounts. Its vegetable packaging plant in Bradford, Ontario supplies both domestic and export markets.

Dominion Mushroom Company Limited last year produced a record 2,334,740 pounds at its Pickering, Ontario mushroom farm. During the year eight new houses containing 54,000 square feet of growing beds were built. Total growing area is now 238,000 square feet with a production potential of approximately 3,000,000 pounds.



1 Aerial view of recently expanded farm of Dominion Mushroom Company Limited in Pickering Township, near Toronto.

2 Selling fresh produce on the floor of Ontario Produce Company Limited at Ontario Food Terminal.

3 Drums of juice concentrate in frozen storage at Langs Foods Limited.

4 Carrots are washed graded, weighed and packaged at Ontario Produce Company Limited's Bradford packaging plant.

In 1911 Max and Maurice Wolfe, two energetic young men with \$65 in capital, embarked on a career in the produce business. Sixty years later the business they founded is a retail-wholesale complex with sales of one-half billion dollars.

Through food markets, department stores, drug marts, restaurants, gasoline outlets and wholesale houses serving retail and institutional customers, The Oshawa Group Limited serves Canadians from Nova Scotia to Saskatchewan.

This map illustrates Oshawa's growth and the market penetration which has evolved from the confidence of two young men and a wagonload of fruit and vegetables.

Atlantic Provinces

IGA Markets	45
Towers Discount Department Stores	1
Restaurants	1
Non-affiliated Food Stores	12

Quebec

IGA Markets	152
Bonimart Foods	1
Cash & Carry Outlets	6
Non-affiliated Food Stores	100
Bonimart Discount Department Stores	6
Restaurants	12
Catalogue Showrooms	9

Ontario

IGA Markets	137
Food City Markets, Bonimart Foods	34
Ranch Supermarkets	6
Handy Markets	32
Non-affiliated Food Stores	46
Towers Discount Department Stores	26
Pharmacies	26
Drug City Marts	7
Stripe Health & Beauty Aid Stores	12
Restaurants	44
Gas Stations	9

Northwestern Ontario *

IGA Markets	5
Much More Markets	16
Non-affiliated Food Stores	3

Manitoba *

IGA Markets	26
Locomart Warehouse Stores	5
Cash & Carry Outlet	1
Much More Markets	149
Non-affiliated Food Stores	25

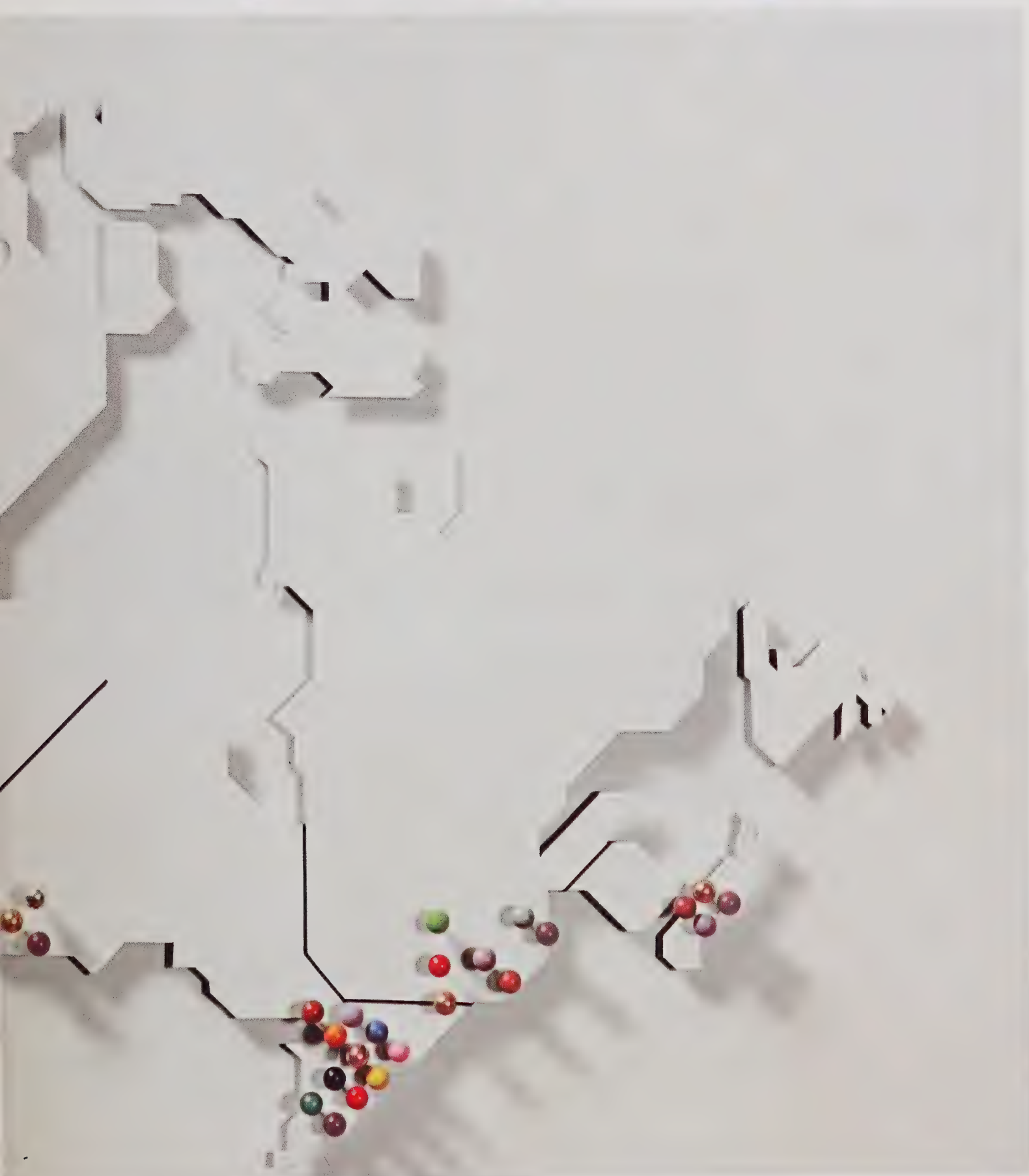
Saskatchewan *

IGA Markets	57
Locomart Warehouse Stores	2
Cash & Carry Outlets	4
Much More Markets	64
Non-affiliated Food Stores	244

*Acquired after year end.

Legend

- | | | |
|--|--|--|
|  IGA Food Markets |  Locomart Warehouse Stores |  Drug City Marts |
|  Food City, Bonimart Foods |  Ranch Supermarkets |  Stripe Health & Beauty Aid Stores |
|  Much More Markets |  Non-affiliated Food Stores |  Restaurants |
|  Handy Markets |  Towers Discount Department Store |  Gas Stations |
|  Cash & Carry Outlets |  Pharmacies |  Catalogue Showrooms |



Four additional department stores were opened in 1971, bringing the total of Towers and Bonimart units to 33 and giving the Company broader coverage in Canada's principal retail markets, Toronto and Montreal, as well as greater penetration in Northern Ontario.

There are now eight Towers stores serving the Toronto area (a ninth will open in midtown Toronto in August) and five Bonimarts in Montreal. The Company's department stores serve customers from London to Ottawa and from Niagara Falls to Sudbury in Ontario and from Montreal to Quebec City in Quebec. One store is located in Kentville, Nova Scotia and the first New Brunswick unit will open in spring, 1973, in a large enclosed mall shopping centre in St. John.

During the year, 14 department stores were realigned and refixedured to improve merchandise mix and departmental presentation and to better serve the needs of specific markets. This continuing program has resulted in stronger emphasis on fashion, clothing and leisure merchandise such as stereos, cameras and sporting goods.

The substantial improvement in 1971 in sales and profits of the department store division is largely attributable to these new merchandising concepts, to product upgrading and a reorganized replenishment system which has materially reduced out-of-stocks.



1 Looking into a Towers Department Store from central mall.

4 Night view of Bonimart Department Store in Montreal.

2 Buyers examine merchandise upon arrival at Montreal distribution centre.

5 Shoppers enjoy fashion show in front of department store mod shop.

3 Speed ramps facilitate movement of customers and shopping carts in two-floor Towers stores.

6 Display of fashion merchandise.

Oshawa's rapidly growing retail drug division, Kent Drugs Limited, at year end operated seven Drug City discount drug marts, 26 pharmacies in Towers Department Stores and 12 Stripe health and beauty aid outlets.

With another four Drug City units opening in the current year and more in the planning stage, a priority objective in 1971 was the development of the management team required to operate an enlarged chain of retail outlets.

Senior management was strengthened, training programs instituted for store managers and assistant managers and graduate pharmacists recruited both locally and overseas. The company now has a core of trained personnel sufficient to meet new store requirements.

Food-drug combination stores, pioneered in Canada by Oshawa at Cooksville, Ontario are now operating successfully in three Toronto and district locations. Additional outlets of this kind are on the drawing boards.

New lines are being added to Drug City units with most satisfactory results achieved in automotive, hardware, softgoods and plumbing accessory products.



- 1 Combination Drug City-Food City outlet in suburban Toronto.
- 2 Prescription department in Drug City unit.
- 3 Kent brand private label display in Drug City.
- 4 Highly successful TV advertising campaign stressed greater value in Towers pharmacies for shrinking dollar.

The following are brief descriptions of a number of Oshawa divisions, subsidiary operations and a joint venture—

The Automotive Services Division operates nine profitable gasoline outlets on large shopping centre parking lots. A 10th unit will open in Toronto in June, several locations are being developed and expansion into new markets is being explored.

Coinmatic Laundry Equipment Limited, a British subsidiary, distributes laundry and dry cleaning equipment and supplies, and owns and operates coin laundries in the United Kingdom and West Germany.

Comserve Limited offers computer consulting, systems design and programming services, markets computer software packages—programs which improve efficiency of computers and people using them—and conducts workshops and seminars on a public and customer in-house basis.

Consumers Distributing Company (National) Limited, jointly owned by Oshawa and Consumers Distributing Company Limited, operates nine catalogue show-rooms in greater Montreal selling brand name merchandise at discount prices. An additional 16 units are planned in the current year.

The Linen Services Division rents and launders uniforms, work clothes and linens, serving a wide variety of customers in industry, institutions, hotels, restaurants and food markets.

Marchland Holdings Limited owns a major commercial complex in downtown Sudbury consisting of an enclosed mall shopping centre, hotel, offices, theatres and parking garage; four Towers-Food City shopping centres; five Food City supermarkets, and several parcels of land for future development.

Oshawa Properties Limited and other Oshawa real estate subsidiaries develop commercial

property for Company use and currently own nine shopping centres, a cold storage warehouse, laundry, office building and maintenance depot.

Oshawa Trading Limited sells frozen juice concentrate programs and leases juice dispensers to nearly 500 hotels, juice bars and institutional customers in the Caribbean Islands.

The Restaurant Division operates 57 restaurants, cafeterias, snack bars and fast-food kiosks in Ontario, Quebec and Nova Scotia of which 11 were opened in 1971. Six additional units will open in 1972 and 10 existing snack bars and cafeterias will be renovated.



1 Fast-food service at kiosk operated by Restaurant Division.



2 Silent vigil while parents shop in catalogue show room.



3 One of nine catalogue show rooms opened in 1971.



4 Towers gas bar on shopping centre parking lot.



5 Recently opened coffee shop in Sudbury's City Centre mall.

The Oshawa Group Limited and Subsidiary Companies

(in thousands of dollars)

Year Ended
January 22,
1972

Year Ended
January 23,
1971

Consolidated Statement of Earnings

Sales	<u>\$490,381</u>	<u>\$469,771</u>
Cost of Sales and Expenses		
Cost of sales, operating and administrative expenses before the undernoted items	471,146	452,768
Interest on long term debt	2,199	669
Other interest	1,302	1,546
Depreciation (Note 4)	<u>6,242</u>	<u>5,646</u>
	<u>480,889</u>	<u>460,629</u>
Interest and dividends earned	<u>9,492</u>	<u>9,142</u>
	<u>1,857</u>	<u>1,597</u>
Share of Net Earnings of Consumers Distributing Company (National) Limited (Note 3)	<u>164</u>	<u>—</u>
Earnings Before Income Taxes, Minority Interest and Extraordinary Income	<u>11,513</u>	<u>10,739</u>
Income taxes	<u>5,793</u>	<u>6,082</u>
Earnings before Minority Interest and Extraordinary Income	<u>5,720</u>	<u>4,657</u>
Minority interest in losses of subsidiaries	<u>374</u>	<u>234</u>
Earnings before Extraordinary Income	<u>6,094</u>	<u>4,891</u>
Extraordinary income (Note 12)	<u>77</u>	<u>208</u>
Net Earnings	<u>\$ 6,171</u>	<u>\$ 5,099</u>
Earnings Per Share before Extraordinary Income (Note 13)	<u>\$.87</u>	<u>\$.70</u>
Earnings Per Share (Note 13)	<u>\$.88</u>	<u>\$.73</u>
Average Number of Shares Outstanding	<u>6,991,515</u>	<u>6,981,908</u>

Consolidated Statement of Retained Earnings

(in thousands of dollars)

Year Ended
January 22,
1972

Year Ended
January 23,
1971

Retained Earnings at Beginning of Year	<u>\$ 26,805</u>	<u>\$ 23,453</u>
<i>Add:</i> Net earnings for year	<u>6,171</u>	<u>5,099</u>
	<u>32,976</u>	<u>28,552</u>
<i>Deduct:</i>		
Dividends—Class A Shares	1,705	1,704
Dividends—Common Shares	<u>43</u>	<u>43</u>
	<u>1,748</u>	<u>1,747</u>
Retained Earnings at End of Year	<u>\$ 31,228</u>	<u>\$ 26,805</u>

The accompanying notes are an integral
part of the Consolidated Financial Statements

Assets	(in thousands of dollars)	January 22, 1972	January 23, 1971
Current Assets			
Cash		\$ 581	\$ 460
Deposit receipts		4,338	—
Marketable securities (market value 1972—\$198; 1971—\$217)		239	237
Accounts receivable		12,266	10,102
Loans and mortgages receivable—current portion		1,372	7,390
Inventories—lower of cost and net realizable value		38,794	37,100
Prepaid expenses and supplies		2,185	2,067
		<u>59,775</u>	<u>57,356</u>
Deferred Assets and Investments			
Loans and mortgages receivable		11,879	9,151
Cash surrender value of life insurance		248	258
Deferred rent		407	330
Deferred financing costs (Note 7)		639	—
Investments (Note 3)		1,929	1,504
		<u>15,102</u>	<u>11,243</u>
Fixed Assets			
Land—cost		15,114	7,838
Buildings—cost		42,010	20,121
Fixtures and equipment—cost		33,508	29,699
Automotive equipment—cost		2,783	2,698
Leasehold improvements—cost		9,248	7,820
		<u>102,663</u>	<u>68,176</u>
Less: Accumulated depreciation (Note 4)		21,183	16,406
		<u>81,480</u>	<u>51,770</u>
Excess of Cost of Shares in Subsidiaries over Net Book Value of Underlying Assets			
		<u>31,246</u>	<u>31,176</u>
		<u>\$187,603</u>	<u>\$151,545</u>

The accompanying notes are an integral
part of the Consolidated Financial Statements

Liabilities	(in thousands of dollars)	January 22, 1972	January 23, 1971
Current Liabilities			
Bank indebtedness (Note 5)		\$ 2,642	\$ 12,781
Short term notes payable		4,110	5,150
Accounts payable and accrued liabilities		35,461	31,367
Income taxes payable		300	17
Current portion of long term debt		1,500	800
		<u>44,013</u>	<u>50,115</u>
Long Term Debt			
Bank indebtedness (Note 5)		10,505	505
Notes and mortgages payable (Note 6)		16,809	7,794
Series A Debentures (Note 7)		20,000	—
5½% Subordinated Convertible Sinking Fund Debentures (Note 8)		4,025	4,030
		<u>51,339</u>	<u>12,329</u>
Less: Current portion		1,500	800
		<u>49,839</u>	<u>11,529</u>
Deferred Income Taxes (Note 9)		1,076	1,777
Minority Interest in Subsidiaries		169	197
Shareholders' Equity			
Capital Stock (Note 10)			
Authorized			
12,200,000 Class A non-voting Shares, without par value			
912,000 Common Shares, without par value			
		January 22, 1972	January 23, 1971
Issued			
Class A Shares	6,832,148	6,817,751	61,234
Common Shares	171,376	171,376	44
		<u>61,278</u>	<u>61,122</u>
Retained Earnings		31,228	26,805
		<u>92,506</u>	<u>87,927</u>
		<u>\$187,603</u>	<u>\$151,545</u>

Approved on behalf of the board

Ray D. Wolfe, Director
William L. Atkinson, Director

(in thousands of dollars)

Year Ended
January 22,
1972

Year Ended
January 23,
1971

Source of Funds

Operations

Net earnings for year	\$ 6,171	\$ 5,099
Items not requiring cash outlay:		
Depreciation	6,242	5,646
Amortization of deferred expenses	251	458
Deferred income taxes	(701)	(277)
Share of net earnings of Consumers Distributing Company (National) Limited	(164)	—

Total Funds From Operations 11,799 10,926

Other

Issue of Series A Debentures	20,000	—
Bank loan	10,000	—
Increase in notes and mortgages payable	8,315	1,988
Disposal of fixed assets	2,626	3,106
Issue of Class A Shares	156	245
Increase in minority interest in subsidiaries	—	108
Reduction of cash surrender value of life insurance	10	—
	<u>52,906</u>	<u>16,373</u>

Use of Funds

Purchase of fixed assets	38,578	11,641
Increase in loans and mortgages receivable	2,728	3,709
Increase in investments	261	89
Deferred rent and financing costs	967	147
Increase in cash surrender value of life insurance	—	44
Increase in excess of cost of shares in subsidiaries over net book value of underlying assets	70	71
Reduction of 5½% Subordinated Convertible Sinking Fund Debentures	5	231
Reduction of minority interest in subsidiaries	28	—
Dividends to shareholders	1,748	1,747
	<u>44,385</u>	<u>17,679</u>

Increase (Decrease) in Working Capital \$ 8,521 \$ (1,306)

Working capital at end of year \$ 15,762 \$ 7,241

Working capital at beginning of year 7,241 8,547

Increase (Decrease) in Working Capital \$ 8,521 \$ (1,306)

The accompanying notes are an integral
part of the Consolidated Financial Statements

1 Change of Name

During the year the Company changed its name from The Oshawa Wholesale Limited to The Oshawa Group Limited.

2 Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies. These include the following principal subsidiaries:

Allied Towers Merchants Limited
Bolands Limited
Coinamatic Laundry Equipment Limited
E. W. Hickeson & Co. Limited
Hudon et Orsali Limitée
Kent Drugs Limited
Langs Foods Limited
Marchland Holdings Limited
Oshawa Properties Limited
Rockower of Canada Limited
Systems Construction (Ontario) Limited
The Ontario Produce Company Limited

On October 22, 1971 the Company purchased the 33⅓% minority interest in Systems Construction (Ontario) Limited and the remaining 50% interest in Marchland Holdings Limited making these companies wholly owned subsidiaries. The Company has included two-thirds of the operating results of Systems Construction (Ontario) Limited to October 22, 1971, and the full operating results of this subsidiary subsequent to that date. The operating results of Marchland Holdings Limited have been included from October 22, 1971.

On October 30, 1971 the business of Allied Towers Merchants Limited was purchased by Systems Construction (Ontario) Limited.

On January 24, 1972 Allied Towers Merchants Limited, Systems Construction (Ontario) Limited and Rockower of Canada Limited were amalgamated to form Towers Department Stores Limited.

Current assets and current liabilities of the foreign subsidiaries have been converted to Canadian dollars at rates of exchange prevailing at January 22, 1972; fixed assets, with related provisions for depreciation, have been converted at rates current at dates of acquisition. Income and expense items have been converted at the average rate of exchange prevailing during the year.

3 Investments

All investments are recorded at cost except the Company's 50% interest in Consumers Distributing Company (National) Limited which is carried at the Company's equity therein.

The Company's share of the net earnings of Consumers Distributing Company (National) Limited for the year ended December 31, 1971 amounting to \$164,000 is reflected in the consolidated statement of earnings.

4 Depreciation

The Company generally depreciates fixed assets on a straight line basis at rates appropriate to geographic location and type of business.

5 Bank Indebtedness

The current bank indebtedness of the Company and certain subsidiaries is secured by a general assignment of their book debts.

The long term bank indebtedness consists of the following:

A loan of \$505,000 secured by a pledge of certain debentures and repayable in 1974;

A loan of \$10,000,000 secured by a mortgage on two properties and repayable as follows:

1973	\$ 250,000
1974	300,000
1975	350,000
1976	400,000
1977	8,700,000
	<u>\$10,000,000</u>

6 Notes and Mortgages Payable

These obligations bear interest at an average rate of 8.7% per annum, have maturity dates ranging to 2001, and are repayable as to principal in the next five years as follows:

1973	\$1,250,000
1974	1,268,000
1975	1,317,000
1976	3,117,000
1977	349,000

7 Series A Debentures

These debentures are secured by a floating charge on the undertaking and assets of the Company and consist of the following:

Description	Amount	Interest Rate	Maturity Dates
Series A Serial Debentures	\$ 5,000,000	8¼%	\$1,000,000 on June 15 in each of the years 1975 to 1979 inclusive
Series A Sinking Fund Debentures	15,000,000	9¼%	June 15, 1991
	<u>\$20,000,000</u>		

The serial debentures are not redeemable prior to maturity.

The Company has covenanted to retire \$10,000,000 principal amount of Sinking Fund Debentures prior to maturity as follows:

1978 and 1979	\$ 250,000 in each year
1980 to 1982	\$ 500,000 in each year
1983 to 1990	\$1,000,000 in each year

In addition to the mandatory sinking fund payments referred to above, the Company has the non-cumulative right to retire up to \$500,000 principal amount of Sinking Fund Debentures in each of the years 1976 to 1985.

Financing costs of this issue amounting to \$665,000 are being amortized over the terms of the debentures. Amortization for the current year amounted to \$26,000.

8 5½% Subordinated Convertible Sinking Fund Debentures

The Company has outstanding \$4,025,000 of 5½% Subordinated Convertible Sinking Fund Debentures due November 15, 1986. Annual Sinking Fund payments of \$500,000 commence November 15, 1977. Under the provisions of the Trust Indenture, \$3,975,000 debentures converted by the holders are available to the Company as a credit against sinking fund payments. The debentures are convertible into Class A Shares as follows:

- Up to November 15, 1976 at \$14 per share;
- November 16, 1976 to November 15, 1981 at \$15½ per share;
- November 16, 1981 to November 15, 1986 at \$17 per share.

9 Deferred Income Taxes

Deferred income taxes result from timing differences between the recording for accounting and for income tax purposes of depreciation and other deductions and may become payable in years when deductions for accounting purposes are in excess of those reported for income tax purposes.

10 Capital Stock

Class A Shares

The Class A Shares are non-voting, participating and entitled to a non-cumulative annual dividend of 1¼¢ per share in priority to payment of dividends on the common shares.

During the year, 14,397 Class A Shares were issued for \$156,000 as follows:

14,040	Class A Shares for cash under the Executives' and Key Employees' Plan 1966	\$151,000
357	Class A Shares on the conversion of 5½% Subordinated Convertible Sinking Fund Debentures	5,000
14,397		<u>\$156,000</u>

The Company has reserved 387,980 Class A Shares for issue under stock purchase and stock option plans. As at January 22, 1972 options for 252,590 Class A Shares were outstanding as follows:

- (a) 13,980 shares under the Employee Stock Purchase Plan 1969 at \$16.20 per share, expiring May 15, 1972.
- (b) 238,610 shares under the Executives' and Key Employees' Plan 1966. These options are exercisable over various periods to 1977 at prices ranging from \$9.45 to \$12.82 per share.

The Company has reserved 287,500 Class A Shares for conversion of the 5½% Subordinated Convertible Sinking Fund Debentures and a further 630,063 Class A Shares for the exercise of the Series A Warrants.

Series A Warrants

The Company has authorized the issue of Series A Warrants entitling the holders thereof to purchase in the aggregate 700,000 Class A Shares. The holder of each warrant is entitled to purchase one Class A Share of the Company during the undernoted periods at the undernoted prices:

Up to February 28, 1974	\$50
From March 1, 1974 to February 28, 1975	\$55
From March 1, 1975 to February 29, 1976	\$60
From March 1, 1976 to February 28, 1977	\$65
From March 1, 1977 to February 28, 1978	\$70
From March 1, 1978 to February 28, 1979	\$75
The warrants expire February 28, 1979.	

As at January 22, 1972, 630,063 Series A Warrants were outstanding.

11 Sales

Sales by class of business and proportion of the total were as follows:

Wholesale, Institutional and Retail Food	\$353,418,000	72%
General Merchandise	128,928,000	26%
Other	8,035,000	2%
	<u>\$490,381,000</u>	<u>100%</u>

12 Extraordinary Income

This consists of the following:

	Year Ended January 22, 1972	Year Ended January 23, 1971
Profit on sale of stores and properties, less income taxes thereon: (1972—\$96,000; 1971—\$84,000)	\$232,000	\$186,000
Provision for loss by the trustee under the Employee Stock Purchase Plan 1969 (Note 15)	(270,000)	—
Loss on discontinuance of modular construction division of subsidiary, Systems Construction (Ontario) Limited, less income taxes recovered thereon of \$332,000	(319,000)	—
Income tax reductions on application of prior years' losses	434,000	22,000
	<u>\$ 77,000</u>	<u>\$208,000</u>

13 Fully Diluted Earnings Per Share

If it were assumed that all the 5½% Subordinated Convertible Sinking Fund Debentures outstanding at January 22, 1972 had been converted into Class A Shares as of January 24, 1971 and all stock options outstanding as at January 22, 1972 had been exercised as of January 24, 1971, the earnings per share for the year would have been as follows:

Earnings before Extraordinary Income	\$.84
Net earnings for the year	\$.85

For the purpose of calculating the fully diluted earnings per share, the earnings were increased by the interest, after income taxes, on the 5½% Subordinated Convertible Sinking Fund Debentures and by imputed interest after income taxes, assuming that the funds derived from the exercise of the stock options were invested to produce an annual return of 7% before income taxes.

The number of Class A Shares was adjusted to reflect the additional shares that would have resulted from the foregoing.

14 Leases

The minimum annual rentals payable (exclusive of taxes, insurance and other occupancy charges) under long term lease obligations for store locations and warehouse facilities amount to \$6,580,000.

It is expected that annual rental revenue of \$2,332,000 will be received from locations that have been sublet.

15 Contingent Liabilities and Commitments

The Company is contingently liable:

- (a) as guarantor to the extent of \$1,500,000 of the obligation of Baxter Estates Limited to provide funds for Calbax Properties Limited, the owner of Calgary Market Mall. Calbax Properties Limited is 75% owned by Baxter Estates Limited in which the Company has a 50% interest.
- (b) as guarantor of any losses incurred by the trustee under the Employee Stock Purchase Plan 1969. A provision for an estimated loss of \$270,000 has been provided in the accounts (Note 12).
- (c) for claims to a maximum of \$240,000 arising from the construction of a shopping centre.
- (d) as guarantor of long term leases having a minimum annual rental of approximately \$240,000.

The Company is committed, under certain conditions, to advance or arrange financing of up to \$5,000,000 to Consumers Distributing Company (National) Limited, a company in which it has a 50% interest. To date, \$3,000,000 has been advanced.

16 Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid during the year by the Company to the directors and senior officers of the Company as defined by the Ontario Business Corporations Act was \$539,000.

17 Comparative Figures

The figures for the previous year have been reclassified where necessary to conform with the current year's presentation.

18 Event Subsequent to Balance Sheet Date

Subsequent to the year end, the Company acquired 495,827 Class A Shares (being 93.1% of the total outstanding Class A Shares) and 92,920 Class B Shares (being 99.9% of the total outstanding Class B Shares) of Codville Distributors Ltd. for \$3,343,000 in cash.

We have examined the consolidated balance sheet of The Oshawa Group Limited and its subsidiary companies as at January 22, 1972, and the consolidated statements of earnings, retained earnings, and source and use of funds for the year then ended. Our examination of the financial statements of The Oshawa Group Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at January 22, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Wm. Eisenberg & Co.
Chartered Accountants
Toronto, Ontario
March 27, 1972

Ten Year Comparative Summary

(in thousands of dollars except per share data)

Year Ended	Sales	Amortization and Depreciation	Income Taxes	Earnings Before Extraordinary Income	Net Earnings	Net Earnings Per Share †*	Net Earnings as a Percentage of Sales	Cash Flow	Cash Flow Per Share *†	Total Dividends	Dividends Per Share *†	Reinvested in Business
Jan. 22, 1972	\$490,381	\$6,493	\$5,793	\$6,094	\$6,171	88.2	1.26	\$11,799	\$1.69	\$1,748	25.0¢	\$4,423
Jan. 23, 1971	469,771	6,104	6,082	4,891	5,099	73.0	1.09	10,926	1.56	1,747	25.0	3,352
Jan. 24, 1970	445,175	5,061	7,926	7,039	7,508	108.1	1.69	13,198	1.90	1,528	22.0	5,980
Jan. 25, 1969	298,684	3,543	5,709	5,260	5,791	103.2	1.94	9,369	1.67	1,020	18.0	4,771
Jan. 27, 1968	237,441	2,803	4,025	4,222	4,760	91.1	2.00	7,591	1.45	690	13.0	4,070
Jan. 28, 1967	180,313	1,505	2,998	2,871	2,902	59.5	1.61	4,342	.89	490	10.0	2,412
Jan. 22, 1966	138,289	1,011	2,487	2,149	2,144	45.7	1.55	3,138	.67	426	9.0	1,718
Jan. 23, 1965	106,868	661	1,698	1,584	1,577	34.2	1.48	2,256	.49	289	6.5	1,288
Jan. 25, 1964	88,748	535	1,303	1,225	1,187	26.2	1.34	1,767	.39	229	5.0	958
Jan. 26, 1963	73,881	421	853	879	881	19.7	1.19	1,302	.29	168	3.7	713

Year Ended	Shares *†	Shareholders' Equity	Shareholders' Equity Per Share *†	High-Low Stock Price	Total Assets	Current Assets	Current Liabilities	Working Capital	Current Ratio	Payroll Costs	Number of Regular Employees
Jan. 22, 1972	6,991,515	\$92,506	\$13.23	8¾—14¾	\$187,603	\$59,775	\$44,013	\$15,762	1.36:1	\$50,169	5,602
Jan. 23, 1971	6,981,908	87,927	12.59	25½— 9½	151,545	57,356	50,115	7,241	1.14:1	46,881	6,316
Jan. 24, 1970	6,942,502	84,330	12.15	36¾— 22	134,874	47,176	38,629	8,547	1.22:1	40,794	7,011
Jan. 25, 1969	5,609,276	51,770	9.23	45¾—27¼	92,413	40,591	30,804	9,787	1.32:1	27,705	4,791
Jan. 27, 1968	5,226,648	25,478	4.87	32¼—12¾	61,673	34,368	23,148	11,220	1.48:1	19,722	3,092
Jan. 28, 1967	4,877,247	14,020	2.87	15¼—11	38,891	21,084	13,257	7,827	1.59:1	12,051	2,085
Jan. 22, 1966	4,686,344	10,932	2.33	15 — 8½	25,412	12,732	10,719	2,013	1.19:1	8,044	1,654
Jan. 23, 1965	4,608,977	7,609	1.65	9¾— 5	16,281	9,833	7,486	2,347	1.31:1	5,265	1,001
Jan. 25, 1964	4,537,326	6,097	1.34	5½— 3¾	12,575	7,549	5,497	2,052	1.37:1	4,239	722
Jan. 26, 1963	4,472,137	5,260	1.18	4¾— 2½	10,636	6,142	5,058	1,084	1.20:1	3,347	620

*Combined Class A and Common. †Figures for previous years have been adjusted for the two-for-one stock splits of June 9, 1964; October 21, 1965 and October 11, 1967. Net Earnings Per Share, Cash Flow Per Share, and Shareholders' Equity Per Share have been calculated on the average number of shares outstanding during the year rather than on the shares outstanding at the end of the year.

Distribution of Sales Dollar

For the year ended January 22, 1972

Total Sales \$1.00
\$490,381,000



Cost of Sales 80.99¢
\$397,174,000



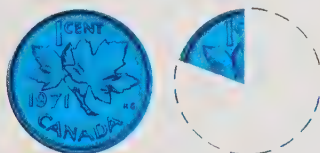
Paid to Employees 10.23¢
\$50,169,000



Cost of Operations 6.34¢
\$31,074,000



Income Tax 1.18¢
\$5,793,000



Re-invested .90¢
\$4,423,000



Paid to Shareholders .36¢
\$1,748,000



Maurice Wolfe
Honorary Co-Chairman of the Board

Max Wolfe
Honorary Co-Chairman of the Board

William L. Atkinson
 Murray C. Goldman
 Albert Shifrin, Q.C.
 Harold Wolfe
 Harvey S. Wolfe
 Jack B. Wolfe
 Leonard Wolfe
 Ray D. Wolfe
 Harry L. Wolfson

Ray D. Wolfe,
President
 Paul Manovitz,
 Executive Assistant
 Sam Crystal,
 Director Public Relations

William L. Atkinson,
Vice President Finance
 Murray C. Goldman,
 Treasurer
 E. L. Besler, C.A.,
 Group Controller
 Saul Cooper,
 Director Information Services
 Leonard Eisen, C.A.,
 Assistant Treasurer

William Sherman,
Executive Vice President Wholesale
and Retail Operations
 Douglas H. Holland,
 Vice President Special Projects
 G. Frank Perkin,
 Executive Assistant

Harold Wolfe, Secretary

Harvey S. Wolfe,
Vice President Development
 Adam Silverberg,
 Vice President Planning and
 Purchasing

Jack B. Wolfe
 Group Vice President Institutional
 Food

Leonard Wolfe,
Executive Vice President Corporate
Services
 Norman J. Pentecost,
 Vice President Personnel
 William Lloyd,
 Director Security

Wholesale and Retail Food
 Bolands Limited, Dartmouth, N.S.
 Mead K. Smith, President
 Robert D. Thompson, Executive
 Vice President and Secretary
 Frank Hickey, Vice President
 Merchandising and Advertising
 William B. Peters, Vice President
 and Controller

Hudon et Orsali Limitée, Montreal,
 Quebec
 Guy Hudon, President and
 General Manager
 Sydney Lesser, Vice President
 Retail Operations
 Jean Richer, Vice President, Sales

Ontario Food Division
 The Oshawa Group Limited
 Vern T. Barber, Vice President and
 General Manager
 Allister P. Graham, Vice President
 Sales
 Ben G. Terry, Vice President
 Franchise Stores
 Vernon G. Jantzi, Vice President
 Corporate Stores

Institutional Food
 Dominion Mushroom Company
 Limited
 Nicholas Pora, Manager

E. W. Hickeson & Co. Limited
 Charles Davies, President

Langs Foods Limited, Hamilton,
 Ontario
 William Holman, General Manager

Linen Services Division
 Leif Christensen, General Manager

The Ontario Produce Company
 Limited
 Harry Russell, General Manager

General Merchandise
 Towers Department Stores Limited
 Jack Genser, Vice President and
 General Manager
 Stanley Lipson, Vice President
 Merchandising
 Alex Kennedy, Vice President Sales
 and Operations

Kent Drugs Limited
 Charles Kent, President

Restaurant Division
 Nelson Seltzer, Vice President and
 General Manager

Automotive Services Division
 Robert Brown, Manager

Industrial
 Coinamatic Laundry Equipment
 Limited, London, U.K.
 Robin H. Phillips,
 Managing Director

Comserve Limited
 James H. Finch, General Manager

Dispenser Division
 J. Alan Jack, General Manager

Registrar and Transfer Agent
 The Canada Trust Company,
 Toronto, Montreal, Calgary,
 Vancouver and Regina

Auditors
 Wm. Eisenberg & Co., Toronto

Bankers
 Canadian Imperial Bank of
 Commerce
 Toronto-Dominion Bank
 Bank of Montreal
 Bank of Nova Scotia

Listed on
 Toronto Stock Exchange
 Montreal Stock Exchange

Head Office
 125 The Queensway
 Toronto 18, Canada

Lead Oshawa

Belford 13 Feb

Oshawa

The ~~Group~~ Group Ltd. grew into a huge public company mainly because of a need to survive in the face of heavy competition and not through an overt attempt at bigness, according to R.D. Wolfe, president.

In fact, the company was several times faced with crisis situations, which could have resulted in an end to its business, he told a University of Toronto seminar on mergers, acquisitions and divestitures yesterday.

The company has, however, overcome these obstacles and through purchases grown from a hay and feed store in 1914 to a major food and merchandising company with 1972 sales of ~~XXXXXX~~ \$575-million in the year ended Jan. 22.

He told the audience of senior business executives that sales will increase by a further \$100-million in the current year.

Oshawa's operations are divided into four major operating divisions: wholesale and retail food; institutional food; general merchandise and industrial offshore & operations.

A next

Subsidiaries

Bolands Limited
Hudon et Orsati Limitée

Coinomatic Laundry Equipment
Limited

Comserve Limited

Destinon Mushroom Company
Limited

E. W. Hickeson & Co. Limited

Lange Foods Limited

The Ontario Produce Company
Limited

Marchland Holdings Limited
Oshawa Properties Limited

Model Laundry Limited

Oshawa Trading Limited

Towers Department Stores Limited
Kens Drugs Limited

Consumers Distributing Company
(National) Limited (50% owned)

Oshawa Report

for 28 weeks ended
August 5, 1972

AR30

The Oshawa Group Limited
125 The Queensway
Toronto 18, Canada



Sales and Earnings

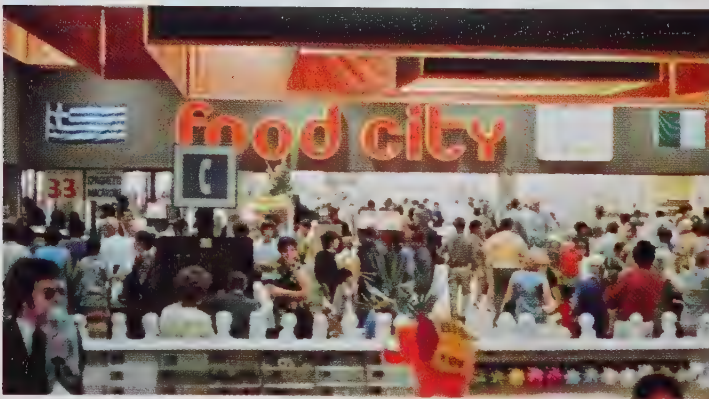
Sales in the 28 weeks ended August 5, 1972 increased 16.9% to a record \$293,625,000 compared with \$251,105,000 last year. Net earnings before extraordinary income increased 24.2% to \$2,677,000 or 38.2¢ per share on 7,015,857 shares from \$2,156,000 or 30.8¢ on 6,989,783 shares. Net earnings including extraordinary income were \$3,026,000 or 43.1¢ per share, up 30.1% from \$2,326,000 or 33.3¢ in 1971.

Earnings in the second quarter were lower than expected because of a temporary resumption of the price war in the retail food industry. Oshawa was successful in maintaining its market share and food margins have now returned to a more normal level.

Growth

In August, Codville Distributors Ltd. agreed to purchase Midland Fruit Co. Ltd., a wholesale produce and grocery company serving retail and institutional customers from warehouses in Winnipeg and Thompson, Manitoba and Kenora and Red Lake, Ontario. In September, Hudon et Orsali Limitée agreed to make a cash offer totalling approximately \$3.5 million for the outstanding shares of Marché Union Inc., a Montreal based chain of 22 supermarkets with annual sales of approximately \$35 million. Marché Union supplies its markets from a modern 116,000 square foot grocery and produce distribution centre in Montreal.

Reflecting the scope of Oshawa's merchandising activities, in mid-August the Company opened eight retail units in the Galleria Shopping Mall, a fully-enclosed, climate-controlled centre in west-central Toronto. In this single centre Oshawa operates a Towers Department Store, Food City, Drug City, meat and produce specialty shops, a restaurant and two food kiosks. The Galleria is North America's first shopping centre designed specifically to



meet the tastes and needs of a multi-national neighborhood. Initial shopper response to this new merchandising approach has been excellent, as shown by the photographs in this report. In the opening week all Towers, Food City and Drug City sales records were broken. Since the beginning of the year Oshawa has also opened three Drug City units, two food-drug combination stores and six additional Consumers Distributing Company (National) Limited catalogue show rooms in which the Company has a 50% interest.-

Special Meeting of Shareholders

Next month Class "A" shareholders will be advised of a special shareholders meeting to consider and if deemed advisable, approve a Resolution amending the articles of the corporation to provide for the purchase for cancellation of Class "A" shares. While there are no plans to purchase shares at this time, the Company will then be in a position to do so as provided in The Business Corporations Act of Ontario.

Prospects

The outlook for the balance of the year is good. Sales in all divisions are currently running ahead of last year and profit margins in food retailing have stabilized. With encouraging profit growth in the department store division and a significant increase in the contribution from Consumers Distributing (National), earnings for the full year should show a satisfactory improvement over 1971.

October 2, 1972

R. D. Wolfe
President



Cover: Opening day in Towers of Galleria.

Inside: Opening day scenes in Food City, Drug City, in the Mall and parking lot.

THE OSHAWA GROUP LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE 28 WEEKS ENDED AUGUST 5, 1972

(In Thousands of \$)

	August 5, 1972	August 7, 1971	% Increase (Decrease)
Sales	\$ 293,625	\$ 251,105	16.9
Earnings before undernoted items	5,251	5,244	.1
Income taxes	2,622	3,088	(15.1)
	2,629	2,156	21.9
Share of net earnings of Consumers Distributing Company (National) Limited	48	—	
Earnings before extraordinary income	2,677	2,156	24.2
Extraordinary income	349	170	105.3
Net earnings	\$ 3,026	\$ 2,326	30.1
Net earnings per combined Class "A" and common shares	43.1¢	33.3¢	29.4
Earnings per share before extraordinary income	38.2¢	30.8¢	24.0
Shares outstanding (based on average number of shares outstanding during 28 weeks)	7,015,857	6,989,783	.4

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE 28 WEEKS ENDED AUGUST 5, 1972

(In Thousands of \$)

Source of Funds	August 5, 1972	August 7, 1971
<i>Operations</i>		
Net earnings for period	\$ 3,026	\$ 2,326
Items not requiring cash outlay:		
Depreciation and amortization	3,745	3,209
Deferred income taxes	141	—
Share of net earnings of Consumers Distributing Company (National) Limited	(48)	—
Total Funds from Operations	6,864	5,535
<i>Other</i>		
Issue of Series "A" debentures	—	20,000
Issue of Class "A" shares	395	54
Increase in notes and mortgages payable	2,329	1,557
Reduction of cash surrender value of life insurance	15	—
Increase in minority interest in subsidiaries	—	10
	9,603	27,156
<i>Use of Funds</i>		
Increase in investments	527	280
Increase in loans and mortgages receivable	2,171	546
Purchase of fixed assets less disposals	6,255	5,000
Reduction of minority interest in subsidiaries	24	—
Increase in excess cost of shares of subsidiaries over net book value of underlying assets	1,009	179
Dividends to shareholders	1,054	874
Deferred financing costs	—	600
Reduction in 5½% Subordinated Convertible Sinking Fund Debentures	—	5
	11,040	7,484
Increase (Decrease) in Working Capital	\$ (1,437)	\$19,672
Working Capital — at end of period	\$ 14,325	\$26,913
Working Capital — at beginning of year	15,762	7,241
Increase (Decrease) in Working Capital	\$ (1,437)	\$19,672

NOTES: 1. All figures subject to year-end adjustment and audit.

2. 1971 figures restated to consolidate Systems Construction (Ontario) Limited.

3. On a fully diluted basis, earnings per share amounted to 41.5¢ (32.3¢ in 1971) and earnings per share before extraordinary income to 36.9¢ (30.0¢).

THE OSHAWA GROUP LIMITED ET FILIALES
ÉTAT CONSOLIDÉ DES PROFITS ET PERTES POUR LES
28 SEMAINES TERMINÉES LE 5 AOÛT 1972
 (En milliers de \$)

	le 5 août 1972	le 7 août 1971	%
Ventes	\$ 293,625	\$ 251,105	16.9
Bénéfices avant les postes notés ci-dessous	5,251	5,244	.1
Impôts sur le revenu	2,622	3,088	(15.1)
Part des bénéfices nets de Distribution aux Consommateurs (National) Limitée	48	—	21.9
Bénéfices avant le revenu extraordinaire	2,677	2,156	24.2
Revenu extraordinaire	349	170	105.3
Bénéfices nets	\$ 3,026	\$ 2,326	30.1
Bénéfices nets par actions combinées ordinaire et de catégorie "A"	43.1¢	33.3¢	29.4
Bénéfices par action avant le revenu extraordinaire	38.2¢	30.8¢	24.0
Actions en circulation (basées sur le nombre en moyenne d'actions en circulation durant les 28 semaines)	7,015,857	6,989,783	.4

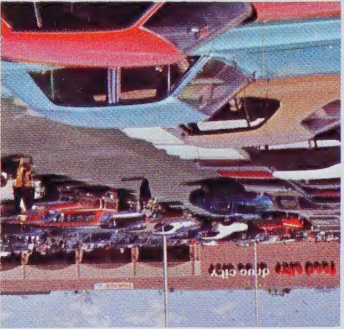
ÉTAT CONSOLIDÉ DE LA SOURCE ET DE L'EMPLOI DES FONDS
POUR LES 28 SEMAINES TERMINÉES LE 5 AOÛT 1972
 (En milliers de \$)

Source des fonds	le 5 août 1972	le 7 août 1971
Exploitation	\$ 3,026	\$ 2,326
Bénéfices nets de la période		
Dépenses n'entraînant pas de sortie de fonds:		
Amortissement et dépréciation	3,745	3,209
Impôts différés sur le revenu	141	—
Part des bénéfices nets de Distribution aux Consommateurs (National) Limitée	(48)	—
Total des fonds provenant de l'exploitation	6,864	5,535
Autres		
Emission de débentures, Série "A"	—	20,000
Emission d'actions de catégorie "A"	395	54
Augmentation des billets et hypothèques à payer	2,329	1,557
Diminution de la valeur de rachat des polices d'assurance-vie	15	—
Augmentation de l'intérêt minoritaire dans les filiales	—	10
Emploi des fonds	9,603	27,156
Augmentation des placements	527	280
Augmentation des prêts et hypothèques à recevoir	2,171	546
Achat d'immobilisations moins les dispositions	6,255	5,000
Diminution de l'intérêt minoritaire dans les filiales	24	—
Augmentation de l'excédent du coût des actions dans les filiales	1,009	179
Dividendes aux actionnaires	—	600
Frais de financement différés	1,054	874
Diminution des débentures à 5½ % à fonds d'amortissement, subordonnées et convertissables	—	5
Augmentation (diminution) du fonds de roulement	11,040	7,484
Fonds de roulement à la fin de la période	\$ (1,437)	\$19,672
Fonds de roulement au début de l'exercice	\$ 14,325	\$26,913
Augmentation (diminution) du fonds de roulement	\$ (1,437)	\$19,672

NOTES: 1. Tous les chiffres sont sujets à vérification et ajustements de fin d'année.
 2. Les chiffres de 1971 sont rémenotés pour consolider Systems Construction (Ontario) Limited.
 3. Sur une base entièrement diluée, les bénéfices par action se sont chiffrés à 41.5¢ (32.3¢ en 1971) et les bénéfices par action avant revenu extraordinaire à 36.9¢ (30.0¢).



le 2 octobre 1972



Cover: Jour d'ouverture chez
Towers au Centre
Galleria.
Inside: Scènes au jour
d'ouverture dans les
établissements Food
City, Drug City, à
l'intérieur du Centre
et sur le terrain
de stationnement.

Le président,
R. D. Wolfe

Les perspectives pour le reste de l'année sont bonnes. Les ventes dans toutes les divisions sont actuellement en avance sur l'an dernier et les marges de profits dans la vente au détail des aliments a été stabilisée. Avec un développement encourageant des profits dans la division des grands magasins à rayons, et une augmentation marquée de la contribution provenant de Distribution aux Consommateurs (National) Limitée, les revenus pour l'année complète devraient montrer une amélioration satisfaisante en comparaison de 1971.

Perspectives

Le mois prochain, les détenteurs d'actions de catégorie "A" seront prévenus d'une assemblée spéciale des actionnaires pour considérer et, si jugé recommandable, d'approuver une résolution amendant les articles de la corporation pour permettre l'achat pour l'annulation, des actions de catégorie "A". Bien qu'il n'y ait aucun plan pour acheter les actions actuellement, la Compagnie sera alors en mesure de le faire selon les stipulations dans la Loi des corporations d'affaires de l'Ontario.

Assemblée spéciale des actionnaires

est le premier centre d'achats en Amérique du Nord construit spécifiquement pour répondre aux goûts et aux besoins d'un voisinage de plusieurs origines ethniques. La réponse initiale des consommateurs envers cette nouvelle présentation commerciale a été excellente comme le démontrent les photographies dans ce rapport. Lors de la semaine d'ouverture, tous les records de ventes de Towers, Food City et Drug City ont été surpassés. Depuis le début de l'année, Oshawa a aussi inauguré trois unités Drug City, deux magasins combinés de pharmacie et produits alimentaires et six salles d'exposition additionnelles de Distribution aux Consommateurs (National) Limitée dont la Compagnie possède un intérêt de 50%.

Ventes et bénéfices

Les ventes au cours des 28 semaines terminées le 5 août 1972 augmentèrent de 16,9%, soit un record de \$293,625,000 en comparaison de \$251,105,000 l'an dernier. Les bénéfices nets avant le revenu extraordinaire augmentèrent de 24,2% pour atteindre \$2,677,000 ou 38,2¢ par action sur 7,015,857 actions en comparaison de \$2,156,000 ou 30,8¢ sur 6,989,783 actions. Les bénéfices nets y compris le revenu extraordinaire furent de \$3,026,000 ou de 43,1¢ par action soit une augmentation de 30,1% en comparaison de \$2,326,000 ou de 33,3¢ en 1971.

Les bénéfices au cours du deuxième trimestre furent moindres que prévus à cause d'une reprise temporaire de la guerre des prix dans l'industrie des aliments au détail. Oshawa a réussi à maintenir sa part du marché et les marges sur les produits alimentaires sont maintenant revenues à un niveau plus normal.

Développement

En août, Codville Distributors Ltd. a consenti à l'achat de Midland Fruit Co. Ltd., une compagnie en gros de fruits et légumes et d'épicerie servant les institutions et les clients au détail, avec des entrepôts à Winnipeg et à Thompson au Manitoba et à Kenora et Red Lake en Ontario. En septembre, Hudson et Orsall Limitée a consenti à faire une offre au comptant au total d'environ \$3,5 millions pour les actions en circulation de Marché Union Inc., une chaîne basée à Montréal et comprenant 22 grands marchés alimentaires dont le chiffre de ventes annuelles est d'environ \$35 millions. Marché Union approvisionne de fruits et légumes et d'épicerie ses de 16,000 pieds carrés.

L'envergure des activités commerciales d'Oshawa s'est manifestée à la mi-août lorsque la Compagnie a ouvert huit marchés au détail dans la "Galleria Shopping Mall", un centre d'achats climatisé et entièrement fermé dans la partie ouest-centrale de Toronto. Dans ce seul centre, Oshawa exploite un grand magasin à rayons Towers, un Food City, un Drug City et des magasins spécialisés de fruits et légumes et de viandes, un restaurant et deux kiosques alimentaires. La Galleria



Le Rapport d'Oshawa

pour les 28 semaines
terminées le 5 août 1972

The Oshawa Group Limited
125 The Queensway
Toronto 18, Canada

